

Another important feature of the act of 1900, which contributed in some degree to increase the new circulation, but still more to increase the number of national banks, was the reduction of the minimum capital required to create a national bank from \$50,000 to \$25,000. Many state banking institutions availed themselves of this provision to enter the national system. From March 14, 1900, to October 31, 1907, the number of banks admitted to the national system with a capital of less than \$50,000 was 2389, with total capital issues of \$62,312,500; but of these only 1365 were primary organizations, with total capital of \$35,105,500, the remainder being conversions and reorganizations of state and private banks.¹

The increase in circulation was stimulated to some extent by the issue of three per cent, bonds in 1898 to the amount of \$198,792,660 to meet the expenses of war with Spain ; but these issues had been out only about a year and a half when the act of March 14, 1900, permitted their conversion into two per cents. By an act of June 28, 1902, Congress authorized the issue of \$130,000,000 two per cent, bonds for the construction of the Panama Canal, and of these \$30,000,000 was issued in July 1906, and \$24,088,040 in December, 1907. These increases in the public debt were offset by the redemption of maturing four per cent, bonds in 1907 to the amount of about \$61,000,000 ; but the fact that the bulk of the debt was now in the form of two per cent, obligations made the banks the chief holders of the bonds and promoted the upward movement of note circulation. The influence of all these factors—increase in the debt, conversion of old debt into two

to secure note circulation and \$78,424,350 to secure deposits of public money in the banks.—Annual Report of the Comptroller for 1907, 17. ¹ Annual Report of the Comptroller of the Currency for 1907, 30. Incorporations with capital less than \$50,000 rose by July 31, 1908, to 2557, with total capital of \$66,610,500. A classification made May 14, 1908, when the number of these incorporations was 2508, with capital of 165,360,500, showed the number of banks in operation with capital below \$50,000 to be only 2137, with aggregate capital of \$57,613,164. The difference was due largely to increases of capital by small banks.